APPENDIX.

Section 602½ of Revenue Act of 1934 (c. 277, 48 Stat. 680, 763—U. S. C., Title 26, Sec. 999).

Sec. 602½. Processing Tax on Certain Oils.

"(a) There is hereby imposed upon the first domestic processing of coconut oil, sesame oil, palm oil, palm kernel oil, or sunflower oil, or of any combination or mixture containing a substantial quantity of any one or more of such oils with respect to any of which oils there has been no previous first domestic processing, a tax of 3 cents per pound, to be paid by the processor. There is hereby imposed (in addition to the tax imposed by the preceding sentence) a tax of 2 cents per pound, to be paid by the processor, upon the first domestic processing of coconut oil or of any combination or mixture containing a substantial quantity of coconut oil with respect to which oil there has been no previous first domestic processing, except that the tax imposed by this sentence shall not apply when it is established, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, that such coconut oil (whether or not contained in such a combination or mixture), (A) is wholly the production of the Philippine Islands or any other possession of the United States, or (B) was produced wholly from materials the growth or production of the Philippine Islands or any other possession of the United States, or (C) was brought into the United States on or before the 30th day after the date of the enactment of this Act or produced from materials brought into the United States on or before the 30th day after the date of enactment of this Act, or (D) was purchased under a bonafide contract entered into prior to April 26, 1934, or produced from materials purchased under a bona fide contract entered into prior to April 26, 1934. All taxes collected under this section with respect to coconut oil wholly of Philippine production or produced from materials wholly of Phil-

ippine growth or production, shall be held as a separate fund and paid to the Treasury of the Philippine Islands, but if at any time the Philippine Government provides by any law for any subsidy to be paid to the producers of copra, coconut oil, or allied products, no further payments to the Philippine Treasury shall be made under this subsection. For the purpose of this section the term 'first domestic processing' means the first use in the United States, in the manufacture or production of an article intended for sale, of the article with respect to which the tax is imposed, but does not include the use of palm oil in the manufacture of tin plate."

Section 602½(f) of the Revenue Act of 1934 provides:

"All provisions of law (including penalties) applicable in respect of taxes imposed by section 600 of the Revenue Act of 1926, shall, insofar as applicable and not inconsistent with this section, be applicable in respect of the taxes imposed by this section."

Section 1120 of the Revenue Act of 1926, made applicable by Section 602½(f), provides for refund of taxes as follows:

"In the case of any overpayment or overcollection of any tax imposed by Title * * * VI, the person making such overpayment or overcollection may take credit therefor against taxes due upon any monthly return, and shall make refund of any excessive amount collected by him upon proper application by the person entitled thereto."

The pertinent Articles of Regulations 48 read as follows:

"Art. 1. Definitions.

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"(j) Processing means the use of the oil or oils in the manufacture or production of an article intended for sale.

"(k) Use has a very broad meaning. The term includes, among other things, the using or making use of,

or employing, any one or more of the oils, or any combination or mixture of the oils, in any process, or stage or step in the manufacture or production of an article intended for sale, and includes the manufacture or production of such article in its entirety, whether such oil is used as a component or constituent or ingredient of the article, or is used merely as a means or aid in the manufacture or production of the article, and not as a component or constituent or ingredient. Examples which are in no measure all inclusive of the use contemplated are:

(1) Bleaching, neutralizing, refining, deodorizing, hydrogenating, sulphonating, 'twitchellizing,' polymerizing, saponifying, or any other commercial processing or any combination of these commercial processings, if such process or combination of processes produces an article intended for sale.

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"(l) First domestic processing means the first use in the United States on or after the effective date of the Act. At all times in these regulations, the term processing or first domestic processing will be deemed to be synonymous with 'use' or 'first use in the United States on or after the effective date,' respectively, and will include the meanings implied in the latter terms by subdivision (k) above.

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"Art. 2. Nature of the tax.—The tax is an excise, not a property tax. It is laid not upon the oils as such, or upon the sale of such oils, but only upon their use.

"Art. 3. Imposition of the tax.—The tax is imposed only on the first domestic processing on or after the effective date of the Act. However, no tax is imposed on the use of palm oil, by the processor, in the manufacture of tin plate.

"Art. 4. When tax attaches.—(a) The Tax attaches upon the first domestic processing of the oil. If some

part of the processing of a particular quantity of oil takes place on or after the effective date, the tax attaches notwithstanding that some part of the processing of such quantity took place before the effective date.

"(b) If oil has been subjected to any of the processes, either prior to the importation of such oil or prior to the effective date, or both, the tax attaches to the first domestic processing of such oil, after the effective date, in the manufacture or production of an article intended for sale."